

investment balances are used to fund operating cash flows. Investments of the proprietary activities increased \$6.9 million from \$58.5 million at June 30, 2010, to \$65.4 million at June 30, 2011, primarily due to an increase in the number of enrollees in the Medicare Part D Program which resulted in higher Federal Government subsidies which in turn made more assets available for investing.

### Public Employees' Long-Term Care Fund (LTCF)

The LTCF, which provides long-term care insurance to participating members, incurred claims expenses of \$156.1 million for the 2010-11 fiscal year, an increase of \$23.1 million (17.4%) from \$133.0 million in the 2009-10 fiscal year, due mainly to an increase in benefit utilization which is expected as the participant population continues to age. Premium revenues were \$314.1 million for the 2010-11 fiscal year, an increase from \$286.0 million or 9.8 percent from the 2009-10 fiscal year. Net investment income amounted to \$537.2 million for the 2010-11 fiscal year, an increase of \$185.5 from \$351.7 at 2009-10 fiscal year end. The unrestricted net assets of the Long-Term Care Program increased by \$789.5 million to \$671.0 million during the 2010-11 fiscal year from the net deficits of \$118.5 in fiscal year 2009-10. The increase in unrestricted fund net assets from the prior year deficit is attributable to the positive investment performance from a robust global equity market and a revised projected investment return of 6.25 percent for projection years one through 10 and 7.60 percent for projection years 11 and beyond. This change in the investment rate of return assumption from 6.38 percent reflects an update to the expected returns that is consistent with the Long-Term Care

Program's revised asset allocation and the methodology used to set the assumed rate of returns for the pension programs.

### Investments

Total LTCF investments were \$3.3 billion at June 30, 2011, which was \$0.7 billion more than the \$2.6 billion in total investments at June 30, 2010.

At June 30, 2011, the LTCF held \$1.6 billion in domestic and international equity securities, an increase of \$0.4 billion from \$1.2 billion from fiscal year end 2009-10.

In domestic debt securities, the fund held \$1.5 billion at June 30, 2011, an increase of \$0.2 billion from \$1.3 billion at 2009-10 fiscal year end.

In real estate investments, which are comprised of real estate investment trusts, the LTCF held \$164.6 million at June 30, 2011, an increase of \$38.7 million from \$125.9 million at 2009-10 fiscal year end.

### Investments — LTCF (Dollars in Millions)

Investment Class	Amount	Percent of Investments
Domestic Equity	\$959.0	29.3 %
International Equity	632.5	19.3
Domestic Debt	1,519.9	46.4
Real Estate	164.6	5.0
<b>TOTAL</b>	<b>\$3,276.0</b>	<b>100.0 %</b>

### Net Assets — Enterprise Funds (Dollars in Thousands)

	HCF		CRF		LTCF	
	2011	2010	2011	2010	2011	2010
ASSETS						
Cash, Cash Equivalents						
& Receivables	\$87,170	\$122,597	\$26,782	\$18,424	\$1,232	\$454
Investments	614,908	530,719	65,391	58,513	3,276,083	2,609,578
<b>Total Assets</b>	<b>\$702,078</b>	<b>\$653,316</b>	<b>\$92,173</b>	<b>\$76,937</b>	<b>\$3,277,315</b>	<b>\$2,610,032</b>
<b>Total Liabilities</b>	<b>\$336,203</b>	<b>\$245,899</b>	<b>\$82,867</b>	<b>\$65,132</b>	<b>\$2,606,332</b>	<b>\$2,728,483</b>
<b>TOTAL UNRESTRICTED</b>						
<b>NET ASSETS (DEFICIT)</b>	<b>\$365,875</b>	<b>\$407,417</b>	<b>\$9,306</b>	<b>\$11,805</b>	<b>\$670,983</b>	<b>(\$118,451)</b>

## Changes in Net Assets — Enterprise Funds (Dollars in Thousands)

	HCF		CRF		LTCF	
	2011	2010	2011	2010	2011	2010
REVENUES						
Self-Insurance Premiums	\$1,709,975	\$1,362,081	\$0	\$0	\$314,099	\$285,948
Federal Government Reimbursements	42,583	—	—	—	—	—
Investment Income	22,447	47,540	993	1,071	537,156	351,745
Administrative Fees & Other	—	—	23,956	22,528	—	—
<b>Total Revenues</b>	<b>\$1,775,005</b>	<b>\$1,409,621</b>	<b>\$24,949</b>	<b>\$23,599</b>	<b>\$851,255</b>	<b>\$637,693</b>
EXPENSES						
Claims Expense	\$1,684,028	\$1,596,473	\$0	\$0	\$156,118	\$133,042
Increase (Decrease) in Estimated Liabilities	44,128	(24,389)	—	—	(115,600)	(208,200)
Administrative Expenses	88,391	90,292	27,448	27,065	21,303	19,663
<b>Total Expenses</b>	<b>\$1,816,547</b>	<b>\$1,662,376</b>	<b>\$27,448</b>	<b>\$27,065</b>	<b>\$61,821</b>	<b>(\$55,495)</b>
<b>INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS</b>	<b>(\$41,542)</b>	<b>(\$252,755)</b>	<b>(\$2,499)</b>	<b>(\$3,466)</b>	<b>\$789,434</b>	<b>\$693,188</b>
<b>NET ASSETS (DEFICIT)</b>						
Beginning of Year	\$407,417	\$660,172	\$11,805	\$15,271	(\$118,451)	(\$811,639)
End of Year	\$365,875	\$407,417	\$9,306	\$11,805	\$670,983	(\$118,451)

## REQUESTS FOR INFORMATION

This Financial Report is designed to provide a general overview of CalPERS finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the CalPERS Fiscal Services Division, P.O. Box 942703, Sacramento, CA, 94229-2703, or by calling 888 CalPERS (or 888-225-7377).



FINANCIAL STATEMENTS

Section B2

Statement of Fiduciary Net Assets – Fiduciary Funds ..... 34

Statement of Changes in Fiduciary Net Assets – Fiduciary Funds..... 36

Statement of Net Assets – Proprietary Funds..... 38

Statement of Revenues, Expenses and Changes in Net Assets – Proprietary Funds ..... 39

Statement of Cash Flows – Proprietary Funds ..... 40

## Statement of Fiduciary Net Assets – Fiduciary Funds

As of June 30, 2011, with Comparative Totals as of June 30, 2010 (Dollars in Thousands)

	Pension Trust Funds						
	PERF	LRF	JRF	JRF II	SPOFF	IRC 457	SCPF
<b>ASSETS</b>							
<b>Cash &amp; Cash Equivalents</b>	<b>\$1,020,337</b>	<b>\$884</b>	<b>\$0</b>	<b>\$1</b>	<b>\$6</b>	<b>\$100</b>	<b>\$1</b>
<b>Receivables</b>							
Member, Public Agency, State & School	\$1,804,170	\$181	\$1,928	\$5,699	\$6	\$0	\$15
Investment Sales & Other	335,881	—	—	—	—	—	—
Interest & Dividends	235,755	—	24	7	2	—	—
Due from Other Funds	3,919	—	—	5	—	—	—
Other Program	32,048	—	—	—	—	5,652	—
<b>Total Receivables</b>	<b>\$2,411,773</b>	<b>\$181</b>	<b>\$1,952</b>	<b>\$5,711</b>	<b>\$8</b>	<b>\$5,652</b>	<b>\$15</b>
<b>Investments, at Fair Value</b>							
Short-Term Investments:							
Domestic	\$7,245,075	\$4	\$52,596	\$7,069	\$33,545	\$189,386	\$1,658
International	613,958	—	—	—	196	240	8
Securities Lending Collateral	20,420,264	—	—	—	—	—	—
Equity Securities:							
Domestic	56,291,016	37,766	—	193,344	213,614	477,646	8,443
International	60,440,409	12,667	—	114,442	83,139	100,009	3,117
Debt Securities:							
Domestic	49,149,416	72,772	—	198,927	155,349	167,369	5,962
International	3,916,972	—	—	—	—	—	—
Inflation Linked	8,126,757	—	—	—	—	—	—
Real Estate	31,049,794	—	—	56,531	14,765	8,905	489
Debt on Real Estate	(11,942,848)	—	—	—	—	—	—
Alternative Investments	34,398,914	—	—	—	—	—	—
<b>Total Investments</b>	<b>\$259,709,727</b>	<b>\$123,209</b>	<b>\$52,596</b>	<b>\$570,313</b>	<b>\$500,608</b>	<b>\$943,555</b>	<b>\$19,677</b>
<b>Capital Assets, Net &amp; Other Assets</b>	<b>\$691,045</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>TOTAL ASSETS</b>	<b>\$263,832,882</b>	<b>\$124,274</b>	<b>\$54,548</b>	<b>\$576,025</b>	<b>\$500,622</b>	<b>\$949,307</b>	<b>\$19,693</b>
<b>LIABILITIES</b>							
Retirement & Other Benefits in Process of Payment	\$1,252,885	\$654	\$14	\$0	\$0	\$0	\$0
Due to Health Carriers	—	—	—	—	—	—	—
Investment Purchases & Other	375,137	—	—	—	—	—	—
Due to the State & Public Agencies	923	—	—	—	—	—	—
Securities Lending Obligation	20,264,886	—	—	—	—	—	—
Due to Other Funds	5	19	63	45	227	423	9
Loans Payable — TALF	—	—	—	—	—	—	—
Management Fees	—	—	—	—	522	1,822	25
Other Program	177,255	125	325	147	—	—	1
<b>TOTAL LIABILITIES</b>	<b>\$22,071,091</b>	<b>\$798</b>	<b>\$402</b>	<b>\$192</b>	<b>\$749</b>	<b>\$2,245</b>	<b>\$35</b>
<b>NET ASSETS HELD IN TRUST FOR PENSION &amp; OTHER POST-EMPLOYMENT BENEFITS</b>	<b>\$241,761,791</b>	<b>\$123,476</b>	<b>\$54,146</b>	<b>\$575,833</b>	<b>\$499,873</b>	<b>\$947,062</b>	<b>\$19,658</b>

Statement of Fiduciary Net Assets – Fiduciary Funds (continued)

Post-Employment Health Care Trust Fund	Agency Funds		Totals	
	CERBTf	RBF	CRF	
			2011	2010
\$0	\$0	\$0	\$1,021,329	\$667,975
\$16,333	\$97	\$1,122	\$1,829,551	\$1,736,561
—	—	—	335,881	346,637
6	6	—	235,800	175,258
—	—	—	3,924	6,912
—	—	—	37,700	24,692
<b>\$16,339</b>	<b>\$103</b>	<b>\$1,122</b>	<b>\$2,442,856</b>	<b>\$2,290,060</b>
\$77,776	\$3,834	\$255,793	\$7,866,736	\$9,554,849
—	—	—	614,402	223,131
—	—	—	20,420,264	17,047,678
630,777	—	—	57,852,606	44,194,867
525,882	—	—	61,279,665	49,470,735
456,992	—	—	50,206,787	51,822,258
—	—	—	3,916,972	2,517,546
—	—	—	8,126,757	5,040,381
179,151	—	—	31,309,635	28,863,123
—	—	—	(11,942,848)	(13,534,160)
—	—	—	34,398,914	28,697,936
<b>\$1,870,578</b>	<b>\$3,834</b>	<b>\$255,793</b>	<b>\$264,049,890</b>	<b>\$223,898,344</b>
<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$691,045</b>	<b>\$677,715</b>
<b>\$1,886,917</b>	<b>\$3,937</b>	<b>\$256,915</b>	<b>\$268,205,120</b>	<b>\$227,534,094</b>
\$19,303	\$0	\$0	\$1,272,856	\$1,150,870
—	—	169,165	169,165	151,356
—	—	—	375,137	287,051
—	—	21,151	22,074	25,577
—	—	—	20,264,886	17,578,147
216	—	66,599	67,606	65,872
—	—	—	—	3,386,747
607	—	—	2,976	2,557
103	3,937	—	181,893	158,374
<b>\$20,229</b>	<b>\$3,937</b>	<b>\$256,915</b>	<b>\$22,356,593</b>	<b>\$22,806,551</b>
<b>\$1,866,688</b>	<b>\$0</b>	<b>\$0</b>	<b>\$245,848,527</b>	<b>\$204,727,543</b>

The accompanying notes are an integral part of these financial statements.

## Statement of Changes in Fiduciary Net Assets – Fiduciary Funds

For the Year Ended June 30, 2011, with Comparative Totals for the Year Ended June 30, 2010 (Dollars in Thousands)

	Pension Trust Funds					
	PERF	LRF	JRF	JRF II	SPOFF	IRC 457
<b>ADDITIONS</b>						
<b>Retirement and OPEB Contributions</b>						
Members	\$3,600,089	\$3	\$6,658	\$18,589	\$0	\$89,531
Employers	7,465,397	—	8,320	53,863	39,066	84
State of California General Fund	—	—	158,982	—	—	—
Employer Contributions Direct — OPEB	—	—	—	—	—	—
Employer Contributions Outside of Trust — OPEB	—	—	—	—	—	—
<b>Total Retirement and OPEB Contributions</b>	<b>\$11,065,486</b>	<b>\$3</b>	<b>\$173,960</b>	<b>\$72,452</b>	<b>\$39,066</b>	<b>\$89,615</b>
<b>Investment Income (Loss)</b>						
Net Appreciation In Fair Value of Investments	\$41,297,805	\$17,667	\$0	\$91,543	\$88,724	\$149,685
Interest	413,969	—	184	53	7	383
Dividends	1,427,046	—	—	—	—	—
Real Estate	2,525,738	—	—	—	—	—
Alternative Investments	652,157	—	—	—	—	—
Other Income	(26,068)	—	—	—	1	3,199
Securities Lending Income	127,994	—	—	—	—	—
Less Investment Expenses:						
Costs of Lending Securities	(44,631)	—	—	—	—	—
Real Estate	(1,893,044)	—	—	—	—	—
Other	(576,541)	—	—	—	(697)	(1,335)
<b>Net Investment Income</b>	<b>\$43,904,425</b>	<b>\$17,667</b>	<b>\$184</b>	<b>\$91,596</b>	<b>\$88,035</b>	<b>\$151,932</b>
Transfer In	\$0	\$0	\$0	\$0	\$0	\$0
<b>Other Income</b>	<b>\$3,011</b>	<b>\$0</b>	<b>\$3,216</b>	<b>\$0</b>	<b>\$7</b>	<b>\$214</b>
<b>TOTAL ADDITIONS</b>	<b>\$54,972,922</b>	<b>\$17,670</b>	<b>\$177,360</b>	<b>\$164,048</b>	<b>\$127,108</b>	<b>\$241,761</b>
<b>DEDUCTIONS</b>						
Retirement, Death & Survivor Benefits	\$14,242,258	\$7,382	\$185,119	\$2,236	\$0	\$0
Refund of Contributions	227,168	440	—	5,870	—	—
Administrative Expenses	357,779	408	1,188	716	1,839	3,874
Participant Withdrawals	—	—	—	—	30,949	93,844
OPEB Reimbursements Direct	—	—	—	—	—	—
OPEB Reimbursements-Outside of Trust	—	—	—	—	—	—
OPEB Plan Transfers To External Trusts	—	—	—	—	—	—
<b>TOTAL DEDUCTIONS</b>	<b>\$14,827,205</b>	<b>\$8,230</b>	<b>\$186,307</b>	<b>\$8,822</b>	<b>\$32,788</b>	<b>\$97,718</b>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<b>\$40,145,717</b>	<b>\$9,440</b>	<b>(\$8,947)</b>	<b>\$155,226</b>	<b>\$94,320</b>	<b>\$144,043</b>
<b>Net Assets Held in Trust for Pension and Other Post-Employment Benefits</b>						
<b>Beginning of Year as Previously Reported</b>	<b>\$201,616,074</b>	<b>\$114,036</b>	<b>\$63,093</b>	<b>\$420,607</b>	<b>\$405,553</b>	<b>\$803,019</b>
Prior Period Adjustment	\$0	\$0	\$0	\$0	\$0	\$0
<b>Net Assets as Restated</b>	<b>\$201,616,074</b>	<b>\$114,036</b>	<b>\$63,093</b>	<b>\$420,607</b>	<b>\$405,553</b>	<b>\$803,019</b>
<b>End of Year</b>	<b>\$241,761,791</b>	<b>\$123,476</b>	<b>\$54,146</b>	<b>\$575,833</b>	<b>\$499,873</b>	<b>\$947,062</b>

Statement of Changes in Fiduciary Net Assets – Fiduciary Funds (continued)

SCPF	Post-Employment Health Care Trust Fund CERBTf	Totals	
		2011	2010
\$285	\$0	\$3,715,155	\$3,511,395
—	—	7,566,730	7,060,088
—	—	158,982	175,242
—	283,807	283,807	344,581
—	474,444	474,444	329,825
<b>\$285</b>	<b>\$758,251</b>	<b>\$12,199,118</b>	<b>\$11,421,131</b>
\$3,637	\$331,466	\$41,980,527	\$23,859,885
2	26	414,624	469,352
—	—	1,427,046	1,132,208
—	—	2,525,738	2,303,941
—	—	652,157	214,634
—	—	(22,868)	96,409
—	—	127,994	199,004
—	—	(44,631)	(57,506)
—	—	(1,893,044)	(1,944,823)
(29)	—	(578,602)	(395,487)
<b>\$3,610</b>	<b>\$331,492</b>	<b>\$44,588,941</b>	<b>\$25,877,617</b>
\$0	\$0	\$0	\$4,149
<b>\$0</b>	<b>\$0</b>	<b>\$6,448</b>	<b>\$13,893</b>
<b>\$3,895</b>	<b>\$1,089,743</b>	<b>\$56,794,507</b>	<b>\$37,316,790</b>
\$0	\$0	\$14,436,995	\$13,163,792
—	—	233,478	185,046
84	2,305	368,193	290,130
2,113	—	126,906	70,785
—	33,507	33,507	24,768
—	474,444	474,444	329,825
—	—	—	9,589
<b>\$2,197</b>	<b>\$510,256</b>	<b>\$15,673,523</b>	<b>\$14,073,935</b>
<b>\$1,698</b>	<b>\$579,487</b>	<b>\$41,120,984</b>	<b>\$23,242,855</b>
<b>\$17,960</b>	<b>\$1,287,201</b>	<b>\$204,727,543</b>	<b>\$181,247,062</b>
\$0	\$0	\$0	\$237,626
<b>\$17,960</b>	<b>\$1,287,201</b>	<b>\$204,727,543</b>	<b>\$181,484,688</b>
<b>\$19,658</b>	<b>\$1,866,688</b>	<b>\$245,848,527</b>	<b>\$204,727,543</b>

The accompanying notes are an integral part of these financial statements.



## Statement of Net Assets – Proprietary Funds

As of June 30, 2011, with Comparative Totals as of June 30, 2010 (Dollars in Thousands)

	Enterprise Funds			Totals	
	HCF	CRF	LTCF	2011	2010
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash & Cash Equivalents	\$383	\$0	\$702	\$1,085	\$310
<b>Receivables</b>					
Member, Public Agency, State & School	\$19,971	\$1,443	\$530	\$21,944	\$63,759
Interest & Dividends	218	353	—	571	581
Due from Other Funds	66,598	—	—	66,598	64,012
Due from Federal Government	—	24,569	—	24,569	12,387
Other	—	417	—	417	426
<b>Total Receivables</b>	<b>\$86,787</b>	<b>\$26,782</b>	<b>\$530</b>	<b>\$114,099</b>	<b>\$141,165</b>
<b>Investments, at Fair Value</b>					
Short-Term Investments:					
Domestic	\$160,440	\$65,391	\$11	\$225,842	\$156,481
Equity Securities:					
Domestic	—	—	959,029	959,029	722,032
International	—	—	632,474	632,474	477,098
Debt Securities:					
Domestic	454,468	—	1,519,938	1,974,406	1,717,279
Real Estate	—	—	164,631	164,631	125,920
<b>Total Investments</b>	<b>\$614,908</b>	<b>\$65,391</b>	<b>\$3,276,083</b>	<b>\$3,956,382</b>	<b>\$3,198,810</b>
<b>TOTAL ASSETS</b>	<b>\$702,078</b>	<b>\$92,173</b>	<b>\$3,277,315</b>	<b>\$4,071,566</b>	<b>\$3,340,285</b>
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Insurance Premiums & Claims in Process of Payment	\$42,838	\$14	\$12,189	\$55,041	\$47,573
Estimated Insurance Claims Due	236,322	—	181,050	417,372	343,891
Due to Other Funds	835	908	1,173	2,916	5,052
Due to State & Public Agencies	—	18	—	18	323
Other	52,757	75,235	16,970	144,962	84,262
<b>Total Current Liabilities</b>	<b>\$332,752</b>	<b>\$76,175</b>	<b>\$211,382</b>	<b>\$620,309</b>	<b>\$481,101</b>
<b>Long-Term Liabilities</b>					
Estimated Liability for Future Policy Benefits	\$0	\$0	\$2,394,950	\$2,394,950	\$2,539,904
OPEB Obligation	3,451	6,692	—	10,143	7,157
Loans Payable — TALF	—	—	—	—	11,352
<b>Total Long-Term Liabilities</b>	<b>\$3,451</b>	<b>\$6,692</b>	<b>\$2,394,950</b>	<b>\$2,405,093</b>	<b>\$2,558,413</b>
<b>TOTAL LIABILITIES</b>	<b>\$336,203</b>	<b>\$82,867</b>	<b>\$2,606,332</b>	<b>\$3,025,402</b>	<b>\$3,039,514</b>
<b>TOTAL UNRESTRICTED NET ASSETS</b>	<b>\$365,875</b>	<b>\$9,306</b>	<b>\$670,983</b>	<b>\$1,046,164</b>	<b>\$300,771</b>

The accompanying notes are an integral part of these financial statements.

## Statement of Revenues, Expenses and Changes in Net Assets – Proprietary Funds

For the Year Ended June 30, 2011, with Comparative Totals for the Year Ended June 30, 2010 (Dollars in Thousands)

	Enterprise Funds			Totals	
	HCF	CRF	LTCF	2011	2010
<b>Operating Revenues</b>					
Self-Insurance Premiums	\$1,709,975	\$0	\$314,099	\$2,024,074	\$1,648,029
Federal Government Reimbursements	42,583	—	—	42,583	—
Administrative Fees Earned	—	23,848	—	23,848	22,449
Other	—	108	—	108	79
<b>Total Operating Revenues</b>	<b>\$1,752,558</b>	<b>\$23,956</b>	<b>\$314,099</b>	<b>\$2,090,613</b>	<b>\$1,670,557</b>
<b>Operating Expenses</b>					
Claims Expense	\$1,684,029	\$0	\$156,118	\$1,840,147	\$1,729,426
Increase (Decrease) in Estimated Liabilities	44,127	—	(115,600)	(71,473)	(232,589)
Administrative Expenses	88,391	27,448	21,303	137,142	137,109
<b>Total Operating Expenses</b>	<b>\$1,816,547</b>	<b>\$27,448</b>	<b>\$61,821</b>	<b>\$1,905,816</b>	<b>\$1,633,946</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(\$63,989)</b>	<b>(\$3,492)</b>	<b>\$252,278</b>	<b>\$184,797</b>	<b>\$36,611</b>
<b>NON-OPERATING REVENUES</b>					
Net Appreciation in Fair Value of Investments	\$21,717	\$0	\$537,051	\$558,768	\$395,991
Interest, Dividends, & Other Investment Income	730	993	105	1,828	4,365
<b>TOTAL NON-OPERATING REVENUES</b>	<b>\$22,447</b>	<b>\$993</b>	<b>\$537,156</b>	<b>\$560,596</b>	<b>\$400,356</b>
<b>Income (Loss) Before Transfers</b>	<b>(\$41,542)</b>	<b>(\$2,499)</b>	<b>\$789,434</b>	<b>\$745,393</b>	<b>\$436,967</b>
Transfer Out	\$0	\$0	\$0	\$0	(\$4,149)
<b>CHANGE IN UNRESTRICTED NET ASSETS</b>	<b>(\$41,542)</b>	<b>(\$2,499)</b>	<b>\$789,434</b>	<b>\$745,393</b>	<b>\$432,818</b>
<b>TOTAL UNRESTRICTED NET ASSETS (DEFICIT)</b>					
<b>Beginning of Year</b>	<b>\$407,417</b>	<b>\$11,805</b>	<b>(\$118,451)</b>	<b>\$300,771</b>	<b>(\$132,047)</b>
<b>End of Year</b>	<b>\$365,875</b>	<b>\$9,306</b>	<b>\$670,983</b>	<b>\$1,046,164</b>	<b>\$300,771</b>

The accompanying notes are an integral part of these financial statements.

## Statement of Cash Flows – Proprietary Funds

For the Year Ended June 30, 2011, with Comparative Totals for the Year Ended June 30, 2010 (Dollars in Thousands)

	Enterprise Funds			Totals	
	HCF	CRF	LTCF	2011	2010
<b>Cash Flows From Operating Activities</b>					
Self-Insurance Premiums Collected	\$1,752,075	\$0	\$313,927	\$2,066,002	\$1,603,528
Federal Government Reimbursements	42,583	—	—	42,583	—
Claims Paid	(1,678,058)	—	(154,563)	(1,832,621)	(1,710,782)
Other (Payments) Receipts	(54,710)	5,895	(29,409)	(78,224)	(119,917)
<b>Net Cash Provided by (Used for) Operating Activities</b>	<b>\$61,890</b>	<b>\$5,895</b>	<b>\$129,955</b>	<b>\$197,740</b>	<b>(\$227,171)</b>
<b>Cash Flows From Investing Activities</b>					
Net Purchases of Investments	\$0	\$0	(\$129,444)	(\$129,444)	(\$119,852)
Net Change in Short-Term Investments	(62,472)	(6,877)	(10)	(69,359)	337,023
Interest & Dividends Received	751	982	105	1,838	8,082
<b>Net Cash (Used for) Provided by Investing Activities</b>	<b>(\$61,721)</b>	<b>(\$5,895)</b>	<b>(\$129,349)</b>	<b>(\$196,965)</b>	<b>\$225,253</b>
<b>NET INCREASE (DECREASE) IN CASH &amp; CASH EQUIVALENTS</b>	<b>\$169</b>	<b>\$0</b>	<b>\$606</b>	<b>\$775</b>	<b>(\$1,918)</b>
<b>Cash &amp; Cash Equivalents, Beginning of Year</b>	<b>\$214</b>	<b>\$0</b>	<b>\$96</b>	<b>\$310</b>	<b>\$2,228</b>
<b>Cash &amp; Cash Equivalents, End of Year</b>	<b>\$383</b>	<b>\$0</b>	<b>\$702</b>	<b>\$1,085</b>	<b>\$310</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</b>					
Operating Income (Loss)	(\$63,989)	(\$3,492)	\$252,278	\$184,797	\$36,611
Changes in Assets & Liabilities:					
Receivables:					
Member, Public Agency, State & School	42,100	(112)	(172)	41,816	(44,752)
Due from Other Funds	(6,525)	3,938	—	(2,587)	(7,204)
Due from Federal Government	—	(12,183)	—	(12,183)	3,718
Other	—	9	—	9	24
Insurance Premiums & Claims in Process of Payment	5,971	(58)	1,555	7,468	18,701
Estimated Insurance Claims Due	44,127	—	—	44,127	(24,389)
Liability for Future Policy Benefits	—	—	(115,600)	(115,600)	(208,200)
Due to Other Funds	(1,190)	(1,263)	317	(2,136)	3,907
Loans Payable — TALF	—	—	(11,352)	(11,352)	(18,522)
Due to State and Public Agencies	(323)	18	—	(305)	323
Other	41,719	19,038	2,929	63,686	12,612
<b>Net Cash Provided by (Used for) Operating Activities</b>	<b>\$61,890</b>	<b>\$5,895</b>	<b>\$129,955</b>	<b>\$197,740</b>	<b>(\$227,171)</b>
<b>Noncash Investing, Capital &amp; Financing Activities</b>					
Noncash Change in Fair Value of Investments in Securities	\$21,717	\$0	\$520,243	\$541,960	\$401,115
Transfers to the SPOFF, IRC 457 and SCPF	\$0	\$0	\$0	\$0	(\$4,149)

The accompanying notes are an integral part of these financial statements.

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Measurement Focus, Basis of Accounting & Basis of Presentation

The accompanying financial statements were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). In doing so, the Public Employees' Retirement System of the State of California (CalPERS), or the "System", adheres to guidelines established by the Governmental Accounting Standards Board (GASB), as well as accounting policies that comply with applicable laws and regulations.

The accounts of CalPERS are organized and operated on the basis of funds. CalPERS Board of Administration owes fiduciary duties for the investments within both the Fiduciary and Proprietary Funds. CalPERS has the following fund types at June 30, 2011:

**Fiduciary funds** — including pension trust, other post-employment trust, and agency funds, account for assets held by CalPERS in a trustee capacity or as an agent on behalf of others. The pension trust funds, the Public Employees' Retirement Fund (PERF), the Legislators' Retirement Fund (LRF), the Judges' Retirement Fund (JRF), the Judges' Retirement Fund II (JRF II), the State Peace Officers' and Firefighters' Defined Contribution Plan Fund (SPOFF), the Public Agency Deferred Compensation Program (IRC 457), and the Supplemental Contributions Program Fund (SCPF) and the other post-employment health care fund, the California Employers' Retiree Benefit Trust Fund (CERBTF) are accounted for on the flow of economic resources measurement focus and the accrual basis of accounting. Member contributions for the pension trust funds are recognized in the period in which the contributions are due. Employer contributions for defined benefit pension and OPEB plans are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds in the defined benefit plans are recognized when due and payable in accordance with the terms of each plan. The agency funds, the Public Employees' Contingency Reserve Agency Fund (CRF) and the Replacement Benefit Fund (RBF) are custodial in nature and do not measure the results of operations. Assets and liabilities are recorded using the accrual basis of accounting.

**Proprietary funds** — including enterprise funds, the Public Employees' Health Care Fund (HCF), the Public Employees' Contingency Reserve Proprietary Fund (CRF), and the Public Employees' Long-Term Care Fund (LTCF) are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. CalPERS applies all applicable GASB pronouncements in accounting and reporting for its proprietary operations, and follows Financial Accounting Standards Board (FASB) pronouncements issued prior to December 1, 1989, insofar as those standards do not conflict with or contradict guidance of the GASB. CalPERS has elected not to follow FASB pronouncements issued after November 30, 1989. Operating revenues and expenses are distinguished from non-operating items and generally result from providing services in connection with ongoing operations. The principal operating revenues of the HCF, CRF, and LTCF are derived from self-insurance premiums and providing administrative services. Operating expenses include the cost of claims and related administrative expenses. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

#### Investments

The majority of the investments held at June 30, 2011, are in the custody of or controlled by State Street Bank, CalPERS master custodian. State statutes and Board policies allow investments consisting of government, corporate and international debt, domestic and international equities, mutual funds, alternative investments, real estate, Inflation Linked Asset Class (ILAC), and other investments.

Investments are reported at fair value. The diversity of the investment types in which CalPERS invests requires a wide range of techniques to determine fair value. CalPERS has established internal unitized investment pools whereby multiple funds (i.e. PERF, LRF, JRF II, CERBTF, etc.) can participate in the unitized pools. These internal investment pools are valued at net asset value (NAV) which includes investment receivables, payables, interest, and dividend income. For financial reporting purposes, in accordance with GASB Statement No. 31, each fund participating in the unitized pool reports the fund's pro rata share of participation in the pool. As such, certain funds with

100 percent of their investments invested in the unitized pools do not report interest and dividends income on the statement of changes in fiduciary net assets or the statement of revenues, expenses and changes in net assets because they are included in the calculation of the unit price of the unitized pools and ultimately flow through the net appreciation and depreciation of fair value of investments. Due to the short-term nature of investments held by the JRF, RBF, and CRF agency and enterprise funds, there was no net appreciation in the fair value of investments in fiscal year 2010-11. The calculation of realized gains and losses is independent of the calculation of the change in the fair value of investments.

The overall valuation processes and information sources by major asset classification are as follows:

### Short Term

Short-term investments can consist of U.S. Treasury and Government Sponsored Securities, Money Market Funds, Commercial Paper, Certificates of Deposit, Delivery Versus Payment (DVP) Repurchase Agreements, Asset Backed Securities, Notes and Bonds issued by U.S. corporations, and other allowable instruments that meet short-term maturity or average life, diversification, and credit quality restrictions. This approach allows for a high level of liquidity and diversification. Assets are reported at fair value or cost or amortized cost that approximates fair value. Fair value is determined based upon quoted market prices. For investments where no readily ascertainable market value exists, management, in consultation with their investment advisors, has determined the fair values for the individual investments.

### Debt Securities

Debt securities consist primarily of negotiable obligations of the U.S. Government and U.S. Government sponsored agencies, corporations, and securitized offerings backed by residential and commercial mortgages, credit cards, auto and student loans. Certain debt securities, such as U.S. government bonds, have an active market for identical securities. These securities can typically be valued using the close or last traded price on a specific date. The majority of other debt securities are not as actively traded and are thus valued by pricing vendors, which use modeling techniques that include market observable inputs required to develop a fair value. Typical inputs include recent trades, yields, price

quotes, cash flows, maturity, credit ratings and other assumptions based upon the specifics of the asset type.

### Equities

The majority of domestic and international equity securities held by CalPERS are actively traded on major stock exchanges or over-the-counter. These exchanges make information on trades of identical securities available daily on a last trade or official close basis. If such information is not available, other pre-established means are used to determine a price.

In addition, CalPERS holds limited partner positions in corporate governance funds, organized to invest strategically in publicly traded equity securities of companies on major stock exchanges to achieve long-term capital appreciation. These limited partnerships have been valued using the NAV of the entity, with the most significant input into the NAV being the value of its investment holdings. The general partners obtain prices for their holdings in a manner similar to that described above for CalPERS equity holdings.

CalPERS also invests in limited partner positions, the most common investment strategies for these funds include, but are not limited to Directional Trading, Event Driven, Fund of Hedge Funds, Multi-Process, Security Selection, and Specialist Credit strategies. Investments in such funds are long term and have limited liquidity. As a result, investors are subject to redemption restrictions which generally limit distributions and restrict the ability of limited partners to exit a partnership investment prior to its dissolution. These partnerships are valued using their respective NAV, and are audited annually. The most significant input into the NAV of such an entity is the fair value of its investment holdings. These holdings are valued by the general partners on a quarterly or semi-annual basis, in conjunction with management, valuation specialists, and investment advisors. The management assumptions are based upon the nature of the investment and the underlying business. The valuation techniques vary based upon investment type and involve a certain degree of expert judgment.

### Alternative Investments

CalPERS has invested as a limited partner in various funds which employ specific strategies. The most common investment categories for these funds include leveraged buyouts, venture capital, growth capital, distressed investments and mezzanine capital. The strategies of all such

funds are long term and illiquid in nature. As a result, investors are subject to redemption restrictions which generally limit distributions and restrict the ability of limited partners to exit a partnership investment prior to its dissolution. Alternative Investments partnerships are valued using their respective NAV, and are audited annually. The most significant input into the NAV of such an entity is the fair value of its investment holdings. These holdings are valued by the general partners on a quarterly or semi-annual basis, in conjunction with management and investment advisors, and consultation with valuation specialists. The management assumptions are based upon the nature of the investment and the underlying business. The valuation techniques vary based upon investment type and involve a certain degree of expert judgment. During fiscal year 2010-11, certain private equity partners issued initial public offerings and became public companies. CalPERS received public stock shares in exchange for its partnership interest. As of June 30, 2011, these public investments continued to be managed under the Alternative Investment Management program and such investments were reported as alternative investments in the statement of fiduciary net assets.

### Real Estate

Real estate is held either directly, in separate accounts, or as a limited partner or in a joint venture or commingled fund. Properties owned directly or in a joint venture structure are subject to independent third-party appraisals performed in accordance with the Uniform Standards of Professional Appraisal Practice once every year. Real estate investments in a commingled fund are long term and illiquid in nature. As a result, investors are subject to redemption restrictions which generally limit distributions and restrict the ability of limited partners to exit a partnership investment prior to its dissolution. Limited partner interest in joint venture and commingled funds are valued by CalPERS using the NAV of the partnership. The most significant input into the NAV of such an entity is the value of its investment holdings. These holdings are valued by the general partners on a continuous basis, audited annually and may be periodically appraised by an independent third party. The valuation assumptions are based upon both market and property specific inputs which are not observable and involve a certain degree of expert judgment. Real estate investments also include real estate investment trust securities, which are valued

in the same manner as described in the Equities section of this footnote.

### Inflation Linked Asset Class (ILAC)

In December 2007, the CalPERS Board of Administration approved an investment asset allocation that includes a five percent allocation in an Inflation Linked Asset Class. The ILAC is Board approved to include commodities, inflation-linked bonds, infrastructure, forestland, and foreign currency. The commodities, inflation-linked bonds, and foreign currency investments are valued based on quoted market price. The infrastructure and forestland investments are valued in the same manner as described in the Alternative Investments and Real Estate sections of this footnote respectively.

At June 30, 2011, the ILAC held \$2.6 billion of inflation-linked bonds, \$0.7 billion in infrastructure, \$2.3 billion in forestland, and \$2.5 billion in commodities exposure and, \$27.4 million in foreign currency.

CalPERS presents, in the statement of changes in fiduciary net assets, the net appreciation in the fair value of its investments, which consists of the realized gains and losses and the unrealized appreciation and depreciation on those investments. Purchases and sales are recorded on the trade date. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

There are certain market risks, including interest, credit, foreign currency exchange and concentration risk, which may subject the System to economic changes occurring in certain industries, sectors, or geographies.

### Hedge Funds

CalPERS hedge fund program's risks are designed to be uncorrelated with the other investment programs in the PERF. The two primary risks in the program are illiquidity and leverage. Hedge funds can be illiquid, either by virtue of illiquidity of underlying assets or due to manager actions to limit investor withdrawals. However, CalPERS has taken steps to minimize this risk by investing in hedge funds in more liquid asset classes and by structuring its investments to minimize an investment manager's ability to limit withdrawals. Hedge funds also use leverage to varying degrees, and while a hedge fund can lose all its capital, CalPERS has limited its liability to the amount in invests, which is the same as with an equity or bond investment.



Hedge funds are reported as equities in the Statement of Fiduciary Net Assets.

### Investment Expenses

The Investment Expenses presented within the Statement of Changes in Fiduciary Net Assets do not include fees and costs for the Private Equity and RMARS programs, nor does it contain the commissions and fees paid to transact public securities. These fees and costs are presented, for information, within the Investment Section in the following schedules: Schedule of Fees and Costs for Private Equity Partners, Schedule of Fees and Costs for Absolute Return Strategies Program and the Schedule of Commissions and Fees. These costs are captured within the respective net asset values as reported in the Statement of Fiduciary Net Assets and Statement of Changes in Fiduciary Net Assets.

### Capital Assets

Capital assets are defined by CalPERS as assets with an initial individual cost of \$5,000 or more, or \$1 million or more for intangible assets, and an estimated useful life in excess of one year.

Capital assets held by the PERF, consisting of buildings, furniture, equipment, and intangible assets are recorded at cost or, if donated, at their estimated fair market value at the date of donation. Capital assets are depreciated over their estimated useful lives, ranging from one to five years for furniture and equipment, 40 years for buildings, and determined on an asset by asset basis for intangible assets, using the straight-line method of depreciation.

### Use of Estimates in the Preparation of Financial Statements

The preparation of the System's financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain financial statement amounts and disclosures. Actual results could differ from those estimates.

### Comparative Totals

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with the accounting principles generally accepted in the United

States of America. Accordingly, such information should be read in conjunction with CalPERS financial statements for the year ended June 30, 2010, from which the summarized information was derived.

### Reclassifications

Certain reclassifications have been made to the comparative totals as of and for the year ended June 30, 2010, to conform to the presentation as of June 30, 2011.

## 2. GENERAL DESCRIPTION OF THE PLANS

The State Employees' Retirement System, the predecessor to CalPERS, was created after voters approved a constitutional amendment authorizing legislation to establish a pension system for State employees. Such legislation became effective January 1, 1932. CalPERS has expanded to include, among others, employees of local agencies that elect to participate in the System. At June 30, 2011, the Board of Administration (Board) of CalPERS administers a total of 13 funds, including four defined benefit retirement plans: the PERF, LRF, JRF, and the JRF II; three defined contribution retirement plans: the SPOFF, IRC 457, and the SCPF; one defined benefit post-employment health care plan, the CERBTf; one health care plan: the HCF; and four other plans: the LTCF, the CRF Proprietary Fund, the CRF Agency Fund, and RBF.

### Reporting Entity

The basic financial statements of CalPERS include fund financial statements reporting the financial activities of all of the above funds and assets under trust. The CalPERS Board of Administration has plenary authority and fiduciary responsibility for the investment of monies and the administration of the System pursuant to the State Constitution, Article XVI, Section 17. CalPERS is a unit of the State of California State and Consumer Services Agency; however, CalPERS is not subject to administrative direction by any department, commission, board, bureau, or agency of the State. As such, CalPERS is classified as a component unit of the State of California for financial reporting purposes, in accordance with the provisions of Governmental Accounting Standards Board Statement No. 39.

CalPERS financial statements are included in fiduciary and proprietary funds in the State of California Comprehensive Annual Financial Report.

### Defined Benefit Plans

The PERF was established in 1932, the LRF in 1947, the JRF in 1937, and JRF II in 1994. The PERF, LRF, JRF, and JRF II are defined benefit pension plans which provide benefits based on members' years of service, age, final compensation, and benefit formula. In addition, benefits are provided for disability, death, and survivors of eligible members or beneficiaries.

At June 30, 2011, the State of California and 1,573 public agencies and schools (representing more than 2,600 entities) contribute to the PERF, JRF, and JRF II, which are agent multiple employer and cost-sharing defined benefit pension plans. CalPERS acts as the common investment and administrative agent for the member agencies, including schools (for classified

employees). The LRF is a single-employer defined benefit pension plan for the State of California.

Members of the PERF, LRF, JRF, and JRF II become fully vested in their retirement benefits earned to date after five years (10 years for State Second Tier members) of credited service.

As of June 30, 2011, the number of affiliated employers for the PERF, LRF, JRF, and JRF II are as follows:

### Affiliated Employers for the PERF, LRF, JRF, and JRF II

	2011
<b>PERF</b>	
State	1
School	61
Public Agency	1,512
<b>Total PERF</b>	<b>1,574</b>
<b>LRF</b>	<b>1</b>
<b>JRF</b>	<b>59</b>
<b>JRF II</b>	<b>59</b>

As of June 30, 2011, benefit recipients and members in the PERF, LRF, JRF and JRF II consisted of the following:

### Benefit Recipients and Members in the PERF, LRF, JRF and JRF II

Fund	Retirees	Survivors & Beneficiaries	Members		TOTAL
			Active	Inactive	
<b>PERF</b>					
State	164,611	25,959	247,372	88,850	526,792
School	152,403	20,360	299,106	126,080	597,949
Public Agency	146,652	18,358	244,741	97,277	507,028
<b>Total PERF</b>	<b>463,666</b>	<b>64,677</b>	<b>791,219</b>	<b>312,207</b>	<b>1,631,769</b>
<b>LRF</b>	<b>127</b>	<b>126</b>	<b>16</b>	<b>16</b>	<b>285</b>
<b>JRF</b>	<b>1,245</b>	<b>629</b>	<b>425</b>	<b>41</b>	<b>2,340</b>
<b>JRF II</b>	<b>23</b>	<b>7</b>	<b>1,290</b>	<b>—</b>	<b>1,320</b>
<b>TOTAL</b>	<b>465,061</b>	<b>65,439</b>	<b>792,950</b>	<b>312,264</b>	<b>1,635,714</b>

The membership consists of the following categories:

#### PERF

- **Safety** — includes California Highway Patrol, peace officers, firefighters, and other employees whose principal duties are in active law enforcement or fire prevention and suppression work, or who occupy positions designated by law as safety member positions.

- **Schools** — includes non-teaching, non-certificated school employees.
- **State Industrial** — includes all employees of the Department of Corrections and the California Youth Authority who are not safety members.
- **General** — includes all other members, defined by statute as "miscellaneous" members.



**LRF**

- State Legislators
- Constitutional Officers
- Legislative Statutory Officers

**JRF**

- **Judges** — includes Supreme Court, Courts of Appeal, and Superior Courts appointed or elected before November 9, 1994.

**JRF II**

- **Judges** — includes Supreme Court, Courts of Appeal and Superior Courts appointed or elected on or after November 9, 1994.

**Financing**

The benefits for the PERF, LRF, JRF, and JRF II are funded by contributions from members and employers, and earnings from investments. Member and employer contributions are a percentage of applicable member compensation. Member contribution rates are defined by law and depend on the respective employer's benefit formulas. Employer contribution rates are determined by periodic actuarial valuations or by State statute. Actuarial valuations are based on the benefit formulas and employee groups of each employer. Employer contributions, including lump sum contributions made when agencies first join the Public Employees' Retirement Fund, are credited with a market value adjustment in determining contribution rates.

The required contribution rates of most active plan members are based on a percentage of salary in excess of a base compensation amount ranging from \$0 to \$863 monthly. For the fiscal year ended June 30, 2011, the required contribution rates for active plan members are as follows:

**Required Contribution Rates for Active Plan Members**

	Required Contribution Rates
<b>PERF</b>	
State Employees:	
Miscellaneous & Industrial	5% to 11%
Miscellaneous & Industrial — Second Tier	0%
Safety	9% to 11%
Peace Officers & Firefighters	8%, 10% or 11%
California Highway Patrol	10%
Classified School Employees	7%
Public Agency Employees	2% to 9%
<b>LRF</b>	0%
<b>JRF</b>	8%
<b>JRF II</b>	8%

These contributions are deposited in a fund or cost sharing risk pool for the purpose of building actuarial reserves for future benefits.

All employees in a covered class of employment who work on a half-time basis or more are eligible to participate in the retirement plans. CalPERS administers several different retirement plans, each providing a monthly allowance based on age, years of credited service, the benefit formula, and highest average compensation over an established period of one year or three years. All plans provide death and disability benefits. In addition, post-retirement cost of living increases are also provided. Within the PERF, the benefit provisions for the State and school employees are established by statute. The benefits for the public agencies are established by contract with the System, in accordance with the provisions of the Public Employees' Retirement Law. For all State plans, new state employees hired on or after January 15, 2011 (with no prior state service) are subject to lower retirement formulas and benefits based on highest average annual compensation during a consecutive 36 month period. The June 30, 2011 valuation will be the first valuation where these lower benefits for new hires will be reflected.

The benefits for the LRF are established in accordance with the provisions of the Legislators' Retirement Law. The benefits for the JRF are established in accordance with the provisions of the Judges' Retirement Law. The benefits for the JRF II are established in accordance with the provisions of the Judges' Retirement System II Law.

In November 1990, Article IV, Section 4.5 was added to the State Constitution by adopting Proposition 140. This section effectively prohibited future Legislators

from earning State retirement benefits for service in the Legislature on or after November 7, 1990, though it recognized vested pension benefits that had accrued before that date.

Due to the effects of Proposition 140, there are two legislators eligible to participate in the Legislators' Retirement Fund. The only active members in the fund are Constitutional Officers (including the Insurance Commissioner and members of the Board of Equalization) and Legislative Statutory Officers.

Costs of administering the funds are financed through contributions and investment earnings of the funds.

### Termination

Upon permanent separation from the retirement plans, accumulated member contributions are refundable, with interest credited through the date of refund, as required by applicable laws. Withdrawal of such accumulated contributions results in forfeiture of the related vested benefits.

In the event that public agencies elect to terminate their contracts with the retirement plans, accumulated member and employer contributions, interest, and the related liability for benefits may be transferred to the employers. If amounts are not transferred to the employers, sufficient assets required to cover the related liability for benefits are retained in the retirement plans. Excess assets above those required, if any, are returned to the employer, while the employer is billed for any deficiency in assets.

### CERBTf

The California Employers' Retiree Benefit Trust Fund (CERBTf) was established by Chapter 331 of the 1988 Statutes and initially funded in 2007. At June 30, 2011, 306 employers had elected to participate in the fund. The purpose of the fund is to receive contributions from participating employers and establish separate employer prefunding accounts to pay for health care or other post-employment benefits in accordance with the terms of the participating employers' plans. Contributions are voluntarily determined by the employers' own funding schedule, and there are no long-term contracts for contributions to the plan. The CERBTf is an agent multiple-employer plan as defined in Governmental Accounting Standards Board (GASB) Statement No. 43 with pooled administrative and investment functions.

Participating employers may receive disbursements from the fund not to exceed the annual premium and other costs of eligible post-employment benefits. If the employer's participation in the fund terminates, all assets in the employer's prefunding account shall remain in the fund except as otherwise provided. Allowable termination disbursements are to a trustee or as a trustee transfer of assets upon satisfactorily demonstrating to the Board the transfer will satisfy applicable requirements of the Internal Revenue Code and the Board's fiduciary duties, or the employer substantiates to the Board that all of the employer's obligations for the payment of post-employment benefits have been satisfied. At June 30, 2011, there were 116,821 active or inactive members and 47,724 retirees for the miscellaneous plan and 29,529 active or inactive members and 18,267 retirees for the safety plan.

Costs to administer the plan are determined through the CalPERS Board-approved cost-allocation plan, where actual direct and indirect costs of administering the System are equitably assessed to each fund.

### Defined Contribution Plans

#### SPOFF

The State Peace Officers' and Firefighters' Supplemental Plan (SPOFF) is a defined contribution retirement plan established by Chapter 820 of the 1998 Statutes. The Plan is a qualified money purchase pension plan under Section 401(a) of Title 26 of the Internal Revenue Code and is intended to supplement the retirement benefits provided by the PERF to eligible peace officers and firefighters employed by the State of California. Plan provisions are established and may be amended by statute.

SPOFF is administered by CalPERS and a third-party administrator, ING, who provides record keeping and plan administration services. Contributions to the Plan are funded entirely by the employer. Contribution requirements are established and may be amended through a Memorandum of Understanding from the State of California Department of Personnel Administration. Effective April 2011, the State suspended contributing on behalf of rank and file positions; and effective May 2011, the State suspended contributing on behalf of supervisors, management, and exempt positions. As of June 30, 2011, the duration of the suspension is unknown because the program

is being administered according to the most recent Memorandum of Understanding.

The benefits paid to participants will depend on the amount contributed and the earnings/losses attributed to participants' account. Contributions are invested in the CalPERS Moderate Asset Allocation Fund which includes short-term, equity and fixed income securities, and real estate investment trusts. Distributions are allowed only at retirement or permanent separation from all State employment.

At June 30, 2011, there were 39,432 active and inactive participants.

#### IRC 457

The CalPERS Supplemental Income 457 Plan (457 Deferred Compensation Plan) is available to public agencies and school districts within the State of California, and is governed by Code Section 21670 through 21685 authorizing the Board of Administration to establish a deferred compensation plan qualified under Section 457 of Title 26 of the United States Code for California Public Employees.

The CalPERS Supplemental Income 457 Plan is administered by CalPERS and a third-party administrator, ING, who provides record keeping and plan administration services. Plan participation is voluntary to employees of contracting public agencies and school districts, and contributions are intended to supplement the retirement benefits provided by the PERF.

Members may contribute up to the limit established under the Internal Revenue Code and are allowed to change their contribution amount, transfer account balances among 26 investment options, or change the contribution percentages designated to each option on a daily basis. The 26 investment options are:

- CalPERS Target Retirement Income Fund
- CalPERS Target Retirement 2005 Fund
- CalPERS Target Retirement 2010 Fund
- CalPERS Target Retirement 2015 Fund
- CalPERS Target Retirement 2020 Fund
- CalPERS Target Retirement 2025 Fund
- CalPERS Target Retirement 2030 Fund
- CalPERS Target Retirement 2035 Fund
- CalPERS Target Retirement 2040 Fund
- CalPERS Target Retirement 2045 Fund
- CalPERS Target Retirement 2050 Fund
- CalPERS Conservative Asset Allocation Fund

- CalPERS Moderate Asset Allocation Fund
- CalPERS Aggressive Asset Allocation Fund
- Short-Term Investment Fund
- PIMCO Short-Term Bond Fund
- CalPERS Total Return Bond Fund
- CalPERS Treasury Inflation Protected Securities Fund
- CalPERS S&P 500 Equity Index Fund
- Alliance Bernstein Active Large Cap Equity Value Fund
- Turner Active Large Cap Equity Growth Fund
- CalPERS Small & Mid Cap Equity Index Fund
- The Boston Company Small/Mid Value Fund
- The Boston Company Small/Mid Growth Fund
- CalPERS International Index Fund
- Pyramis Select International Fund.

In addition, a Self Managed Brokerage Account (SMA) is an optional provision. Members may access their funds upon retirement, separation from employment, or other distributable events as allowed under the Internal Revenue Code. The CalPERS Board of Administration has authorization under the Government Code of the State of California to establish plan provisions. At June 30, 2011, there were 25,475 active and inactive participants with account balances.

#### SCPF

The Supplemental Contribution Plan (SCP) was established January 1, 2000, by Chapter 307 of the 1999 Statutes. The plan is a qualified plan under Section 401(a) of Title 26 of the United States Code. It is administered by CalPERS and a third-party administrator, ING, who provides record keeping and plan administration services. After-tax contributions are intended to supplement the retirement benefits provided by the PERF.

Currently, the Plan is available only to State of California employees who are members of CalPERS. The program is entirely member-funded and participation is voluntary. Participant contributions are made on an after-tax basis and are separate from defined benefit contributions. Participants may contribute to a deferred compensation plan in conjunction with SCP, subject to Internal Revenue Code Section 415(c) limits. The 26 investment options available in SCP are:

- CalPERS Target Retirement Income Fund
- CalPERS Target Retirement 2005 Fund